



California Children and Families Commission
PROJECT PROPOSAL

AGENDA ITEM #: 9
DATE OF MEETING: 10/16/03

ACTION: X
DISCUSSION:

PROJECT TITLE: **ABCD Constructing Connections**

A. SUMMARY OF REQUEST:

This request for \$3 million is to support **Affordable Buildings for Children's Development (ABCD)**, a David and Lucile Packard Foundation initiative to develop a financing system for the construction and upgrading of preschool and child care facilities in California, with a goal of producing 15,000 new licensed spaces over the next five years. Specifically, CCFC monies will support one of four interrelated strategies: the development of **ABCD Constructing Connections**, the purpose of which is to build capability among child care providers and intermediary organizations, such as First 5 County Commissions, local planning councils and resource and referral agencies, to access and use financing resources to build child care facilities. (Note: CCFC monies cannot be used for actual facilities construction.)

B. BACKGROUND/HISTORY:

"The high need for child care will not ease in the near future. The population of Californians aged zero to four is expected to increase by more than 325,000 over the next ten years."

National Economic Development and Law Center, 2001

Need

- Research tells us that developmentally appropriate and well-designed child care facilities are an essential element of high quality early care and education programs. (*Cost Quality and Child Outcomes in Child Care Centers*, Department of Economics, University of Colorado, 1995).
- There is a well-documented vast shortage of child care spaces, as calculated by the ratio of licensed capacity to children of working parents. Overall in California, there is one licensed center-based space for every 3.5 children birth to five years old with working parents. Some 20 counties fall below the state average and are particularly underserved; California would need to create an additional 43,415 center-based spaces to simply bring these 20 counties to the California average (*The California Child Care Portfolio 2001*, California Child Care Resource and Referral Network).
- Currently, about 43% of children aged three and four years old are enrolled in center-based child care programs in California. If even 60% of California's three and four year olds participate in Preschool for All, that would bring an additional

170,000 children into the early education system, creating the need for 170,000 new preschool spaces (*California Research Bureau, California State Library, using Census 2000*).

- According to the *2001 California Child Care Portfolio*, children less than two years of age make up approximately 40% of children aged 0-5, yet only 5% of licensed spaces in child care centers are licensed for babies younger than 24 months.
- The shortage of new facilities is exacerbated by the need for renovation of existing facilities, whose maintenance or repair has been deferred for lack of funds.

Reasons for shortage in meeting needs

- Local barriers to facilities development exist, such as local zoning and land-use policies.
- Most child care providers do not know how to access the grants and loans that are available to finance facility renovation or construction, nor do they know how to navigate local regulatory barriers.
- Funding for construction and upgrading of child care facilities comes from a patchwork of sources, with an inadequate amount of grant and loan dollars available, mostly contributed by private charities and foundations.

Solution

According to the Packard Foundation, California needs an easily utilized system that brings new dollars and new approaches to funding and implementing child care center construction projects that meet standards of the Americans with Disabilities Act (ADA) and that support provision of high quality child care and preschool programs that are developmentally appropriate for children of all abilities. There are several opportunities available right now to make this system a reality in the next five years.

Those opportunities include:

- Housing and economic developers have begun to demonstrate interest and efforts in incorporating child care facilities into low-income housing developments, health centers, community facilities, and schools. These developers bring their financial resources and technical expertise on construction and local regulatory and zoning issues to the child care sector.
- Low interest rates make this is the best financing environment in years. Developers, unlike the child care community, have vast expertise and resources for securing financing for their projects.
- In many areas of the state, the child care and economic community have already demonstrated successful and productive collaborations, creating a foundation to build upon. These collaborations have resulted in improving business management skills of child care providers, incorporating child care into land use and economic development planning, creating a low-cost loan fund in San Francisco county, and realizing a greater “readiness” among child care providers in underserved areas.

The Packard **ABCD Initiative** seeks to build a comprehensive and sustainable financing system for quality child care facility development in California. The goals of ABCD are to:

- Enlist new and diverse partners such as employers, health care providers, and housing owners to provide support such as sites or other resources.
- Increase the number and ability of child care operators to develop child care centers.
- Achieve a multi-fold increase in public and private capital investments in child care, and
- Create the capacity to significantly increase the number of licensed quality child care spaces in California.

The Packard ABCD system design adapts a proven model drawn from the affordable housing development system. Because it is doubtful that the public sector could supply the capital investment to support construction of this number of facilities even in good economic times, Packard suggests that we must find ways to attract and to sustain new sources of private investments, including the availability and utilization of loans. Increased involvement of private capital will leverage public dollars (e.g. child development subsidies, local government funds) and increase the commitment and involvement of lenders and investors who have historically been involved in other community development such as housing and small business. The belief is that as the financial industry increases its commitment, its overall support and interest in children and child care will become not simply philanthropy but “good business.” In other words, just as private investors have largely replaced government funders for today’s affordable housing, through ABCD the private sector will come to value the investment potential in child care facilities development.

To succeed, the Initiative will employ four interrelated strategies:

1. The **ABCD Fund**, to provide grants and loans for child care centers to the organizations or communities that will own and operate them, and to provide technical assistance for feasibility planning, acquisition, constructions costs, and long-term real estate financing needs;
2. **ABCD Development Assistance**, to utilize the expertise of regional community developers to increase statewide the construction of child care facilities within educational, health and housing facilities. Current partners include Bridge Housing, Child Development, Inc., Community Housing Works of San Diego, Los Angeles Community Design Center, and Mercy Housing California.
3. **ABCD Constructing Connections**, to strengthen the facilities development expertise of child care center operators and intermediary organizations and to improve the regulatory and funding environment to support child care facilities.
4. **ABCD Campaign to Sustain Child Care**, to catalyze new coalitions of representatives of a variety of sectors to advocate for increased child care program operating subsidies from state and local governments.

The Packard Foundation is establishing the management of the ABCD Initiative with the Low Income Investment Fund (LIIF), an organization with 18 years of experience providing capital (\$350 million) and technical assistance to leverage investments of over \$2.1 billion for affordable housing, child care, education, and workforce development projects in low-income communities. A grant from the David and Lucile Packard Foundation enables the Low Income Investment Fund (LIIF) to assume responsibility for managing ABCD in November 2003.

LIIF will establish an Advisory Committee, composed of public and private funders, representatives of the child care sector, First 5, community real estate developers, and lenders to oversee planning for the ABCD Initiative and make recommendations to the LIIF Board.

C. PROPOSAL

Approve up to \$3 million total for at least three fiscal years to support the activities of the **ABCD Constructing Connections** component of the ABCD Initiative. Because the ABCD Constructing Connections strategy is in early stages of development, staff recommends that we enter into a \$3 million sole source contract with LIIF for the approximately three-year project, but that we allow the expenditure of only the first \$1 million until an initial progress report is reviewed and approved. After determining that there is sufficient progress toward the project goals the Commission would authorize expenditure of the remaining \$2 million.

Scope of Work

The goal of **ABCD Constructing Connections** for the next five years is to create sustainable knowledge in the child care community about the facilities development process in order to increase the capacity for new investment in child care facilities that will ultimately create 15,000 new child care spaces. Three strategies will be utilized to encourage a continuous and growing cycle of child care construction projects using new sources of private and public investment:

1. Assist local child care providers in a variety of underserved settings in becoming knowledgeable business partners in the financing, construction, and management of child care facilities.

Training will be provided for child care “intermediary organizations” (First 5 Commissions, Resource and Referral agencies, Local Planning Councils, Child Development Regional Resource Centers) on:

- The facilities development process (see attachment)
 - Requirements of ADA in regards to facilities
 - Roles intermediary organizations can play as connectors between child care providers and real estate developers
 - How to develop and use budgets and business plans for child care programs
 - How to access local and statewide resources for facilities development
2. Develop a resource pool of child care facilities experts available statewide to provide technical assistance to interested communities and to applicants to the ABCD Fund. In planning ABCD, experts in various aspects of the facilities development process have been identified. For the most part, these experts are individuals who are scattered throughout the state and are not now organized in any way.

3. Bring community development and child care sector representatives together in 10 communities throughout the state to plan and construct cost-effective, ADA-compliant, child care and preschool facilities.

LIIF will appoint an advisory committee to Constructing Connections. First 5 CCFC will have a role in the refinement of criteria for both the selection of advisory committee members and the selection of criteria to assess 10 community sites. The criteria to select community sites will be based on the following:

- Great need – defined as areas that are relatively underserved by licensed child care supply, are particularly high population growth areas, and who can demonstrate the need for center-based care in their communities
- Readiness to participate – defined as existing pockets of capacity of the child care and/or community development sectors who can meet the match requirement, demonstrate commitment to meet the goals for creating new child care spaces, and need the expertise of Constructing Connections to develop and execute their plans
- Demonstrating commitment to the First 5 Principles on Equity
- Participating in the First 5 California School Readiness Initiative and/or Preschool for All at some or all sites in the community area being considered

The Packard Foundation anticipates that some areas of technical assistance that communities will need are to (1) identify appropriate participants (e.g. city council, developers) in the local community collaborations and to attract and maintain their involvement, (2) conduct local facilities needs assessments, (3) provide models for overcoming barriers to facilities development, and (4) access local resources for facilities development.

Population

The ABCD Initiative is designed to serve all providers who will offer center-based preschool and child care programs and all families who use or would like to use center-based preschool and child care programs. All facilities constructed or renovated as a part of ABCD will meet ADA requirements and be suitable to serve children with a variety of special needs.

Time Frame

The planning and early stages of Constructing Connections began in 2003 with the support of the Packard Foundation for some child care intermediary training sessions, which will continue in 2004 and 2005. Full implementation of Constructing Connections will occur in phases. In 2004 four or five sites will be selected to begin Constructing Connections collaboratives and an expert pool and learning communities will be established. An additional five or six collaborative sites will be added in 2005.

The duration of the project is five years for planning and implementation, with an evaluation report being issued in the sixth year (see below). Because the child care facility development timeline may be two to four years from concept to opening of a facility (see Attachment 1), we expect the evaluation to show significant activity resulting from Connections after three years, with facilities generated by Connections opening within five years. By year six, evidence of systems change should be present in the increased number, location and type of facilities in the development process, increased levels of expertise of local intermediaries in child care facilities development, and increased interest by lenders.

Evaluation

The Packard Foundation will select and fund an independent evaluator to conduct a process and outcomes evaluation of the entire ABCD initiative including Connections. Both the process and outcomes evaluations will be based upon a theory of change and a set of indicators that measure and describe the change. The theory of change and the indicators for Constructing Connections will be developed collaboratively by the evaluator, First 5, the local Connections sites, the expert pool contributors, and the ABCD staff.

The process evaluation will assess the degree to which Constructing Connections strategies have been implemented and are reaching their short-term goals (refer to Steps in Attachment 1). This information will be reported to the sites, First 5 CCFC and other Connections funders, and to LIIF. The process evaluation will be used to assist the sites in revising their strategies, as needed, to meet their goals.

The outcomes evaluation will assess the degree to which the Constructing Connections strategies have reached long-term goals and have achieved their desired outcomes. Preliminary outcomes will include:

- Increased number of new child care spaces
- Increased number of child care facilities co-located with other critical family supports (e.g., housing, health facilities, schools)
- Increased number of School Readiness Initiatives programs participating in ABCD
- Increased number of child care facilities projects using debt to partially finance the project
- Increased number of local leaders/community partnerships/coalitions affecting policy change in local zoning and land-use policies that facilitate development projects, with leadership shared between the child care and community economic development sectors
- Increased availability of consultants and intermediary institutions that provide effective technical assistance to child care providers as they plan and implement their facilities development project
- Increased number of locally driven business development supports (e.g. small business development centers; community college business training adapted for child care providers).
- Increased number of sustaining resources to continue supports for increasing and improving preschool and child care facilities.

Cost

The cost of **ABCD Constructing Connections** is approximately \$6 million for the first three years. Please refer to Attachment # 2 for an estimated budget. If the Commission approves this proposal, the \$3 million CCFC funds will support 50% of the budget. The recommended contractor is the Low Income Investment Fund. Through LIIF, more than half of the CCFC funds will go to the 10 Constructing Connections communities. The remainder of the funds will be used to provide training for the child care sector, technical assistance for child care providers seeking financing for facility renovation or construction, and technical assistance for the Constructing Connections communities.

The entire **ABCD Initiative** operating budget is estimated at \$8.5 million for the first three years. In addition, currently the **ABCD Fund** has \$25 million available for grants and low-cost loans.

D. CCFC OBJECTIVES:

The **ABCD Constructing Connections** project supports school readiness and Preschool for All by assisting child care center operators and intermediaries in their efforts to gain facilities development expertise and to improve the regulatory and funding environment to support child care facilities as a top priority. It also addresses Recommendation 54 of *The California Master Plan for Education*, which states, “The State should improve the availability, quality, and maintenance of early education facilities”.

E. INTERFACE/IMPACT ON OTHER PROGRAMS

The **ABCD Initiative** depends on and draws from the expertise and funds of numerous partners, including private financial institutions, housing/economic developers, community developers, and successful child care/economic development collaborations who provide models for creating the capacity to increase the number of licensed child care spaces in California by 15,000 in the next five years.

F. ATTACHMENTS

Attachment #1: A 20-Step Development Timeline for Child Care Center Facilities
Development Work

Attachment #2: ABCD Connections Estimated 3 Year Budget